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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 000342

SIPDIS

E.O. 12958: DECL: 02/12/2016

TAGS: PREL PGOV YM DOMESTIC POLITICS

SUBJECT: CABINET SHAKE-UP: IS REAL REFORM ON ITS WAY?

REF: A. SANAA 272

1B. SANAA 330

1C. 2001 SANAA 1919

Classified By: AMBASSADOR THOMAS C. KRAJESKI, FOR REASONS 1.4 (B) AND (D).

11. (C) Summary and Comment. On February 11, President Saleh announced a dramatic reshuffling of his 34-member cabinet, including replacing the Ministers of Defense, Finance, Oil, and Planning. Saleh's new cabinet, still led by Prime Minister Bajammal, includes 15 new ministers and two women. ROYG officials said the move was in response to international and domestic pressure to fight corruption and implement real economic and political reform. The shake-up also comes after the ROYG's international embarrassment over the escape of 23 imprisoned Al Qa'ida operatives from a Political Security Organization jail (ref A).

12. (C) Summary and Comment continued: In a promising move for economic reform, Saleh replaced the notoriously corrupt Finance Minister and the Minister for International Planning and Cooperation with experienced and well-respected technocrats. On the security front, Saleh expanded Interior Minister Rashad Alimi's duties to include the post of Deputy Prime Minister, but replaced Minister of Defense Abdullah Ali Alewa with a relatively unknown officer. While it is too early to gauge the new cabinet's real impact on reform efforts, Saleh is clearly trying to allay donor fears and opposition criticism that the ROYG is not doing enough to combat corruption and implement economic reform. End Summary and Comment.

Mounting Pressure from All Sides: Donors and the HAMAS Effect

13. (C) Saleh's announcement came just days after a meeting with ambassadors of donor countries, including the American Ambassador, who urged the President to take concrete and immediate steps to combat corruption and improve good governance (septel). Without such efforts to demonstrate the ROYG's commitment to reform, the ambassadors warned, Saleh could not count on continued support from donors.

14. (C) On the domestic front, opposition parties have become increasingly vocal during the run-up to the September presidential and local council elections. Opposition accusations that the ROYG has done little to combat rampant corruption have escalated, including the publishing of several newspaper reports implicating corrupt officials, including the Minister of Oil who lost his job in the reshuffle. Opposition parliamentarians are also beginning to show a still relatively small but growing willingness to challenge presidential power (ref B). While few believe Saleh will lose his re-election bid, the opposition hopes to make gains in local council elections. Given HAMAS's success at capitalizing on popular discontent with the Palestinian Authority, the opposition is eager to make corruption a key election issue.

Corruption out, Technocrats in

15. (C) The biggest loser in the cabinet re-shuffle is Minister of Finance Salami, who has been a powerful political player for more than 20 years. Salami carved out a veritable mini-empire by maintaining tight control on allocations to government agencies and local government. In addition to being well-known for corruption, he also played a key role in blocking donor efforts to decentralize public finance and create a transparent budget system. Salami's replacement is Dr. Seif Mahyoub Al-Asali, an economics professor at Sanaa University and former Deputy Minister for Revenues.

16. (C) Another minister who is apparently on the outs is former Minister of Planning and International Cooperation (MOPIC) Ahmed Sofan. MOPIC, as the main interlocutor for donors and international organizations and the main implementing agency for development projects, has come under heavy criticism recently for failing to maintain donor confidence. A smart and congenial official, Sofan presided over a period during which the World Bank cut its assistance

to Yemen by more than 30 percent, and Yemen failed to qualify for the Millennium Challenge Account Threshold Country Program -- both major blows to Yemen's development assistance.

17. (C) Sofan has been replaced by Abdulkarim Al-Arhabi, the outgoing Minister of Social Affairs and Labor, a position he held concurrently with the Executive Directorate of the Social Fund for Development (SFD). As MOPIC's star has fallen over the past several years, SFD's has risen -- largely due to confidence among donors in Arhabi's relatively clean, accountable, no-nonsense management style. Arhabi was a frequent critic of MOPIC's performance as a "super-ministry," particularly that ministry's practice of assigning development projects in a top-down manner and then withholding full funding from implementing agencies.

18. (C) Perhaps the biggest winner in the re-shuffle was Interior Minister Alimi who was promoted to Deputy Prime Minister. Alimi will also continue in his current position, where he has proven himself to be a capable and professional leader by overseeing the establishment and development of Yemen's most capable security forces - the Coast Guard and the Central Security Force's Counter Terrorism Unit - with USG assistance. Defense Minister Alewa, however, lost his job to a relatively unknown military officer, Staff Brigadier Mohammad Naser Ahmed Ali, who is expected to challenge Chief of Staff MG Mohammed Ali Qassimi even less than did his predecessor.

19. (C) Foreign Minister Abubakr Qirbi kept his job and assumed the portfolio of expatriates, formerly held by Abdo Ali Qubati. Qirbi has a reputation for being a reliable and reasoned, if not always effective, interlocutor.

Comment

10. (C) Saleh's sudden cabinet re-shuffle is, at this point, a symbolic victory for economic reform in Yemen. The change in the cabinet is not merely cosmetic -- the ROYG has shed itself of several of its heavyweights. By elevating the most capable leaders, and by replacing the most corrupt and well-connected individuals with newcomers and technocrats, Saleh is making a statement against mounting criticism that the ROYG has not demonstrated the political will necessary to combat corruption and implement real reform. The ROYG likely took the donor ambassadors' message -- and HAMAS's victory -- to heart and is taking real steps to improve his government's public image before the September elections.

11. (C) Despite a clear step in the right direction, however, it is too early to judge what real impact the new cabinet will have on economic and political reform, especially with the powerful and corrupt Prime Minister Abdul Kader Bajammal retaining his post. Post greeted the last major re-shuffle in April 2001 with optimism that Salami and Sofan would usher in a new era of economic reform -- hopes that were never realized (ref C). The hope is that this new crop of experienced technocrats at key posts responsible for economic development and financial management will be more successful in reducing corruption and improving the lives of the Yemeni people. They face a tough challenge, however, in the form of entrenched interests within the bureaucracy and private sector that are beneficiaries of the status quo. Sustained political will from President Saleh and support from the donors will be key to overcoming these obstacles in the critical period ahead.

12. (U) Post will provide a complete list of the new cabinet and biographies septel.
Krajeski